Municipal Market Insight

September 2020

Portfolio Advisory Group – U.S. Fixed Income Strategies

What's inside

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The Fed's historic shift

During the Federal Reserve's Economic Policy Symposium, which was held virtually the third week of August instead of at its traditional location in Jackson Hole, the Fed announced it had formally adopted an Average Inflation Target into its Statement on Longer-run Goals and Monetary Policy. While the change was expected, it caught some off-guard because it was widely thought the announcement and adaptation would happen in January 2021, when the Fed would normally present its Statement on Longer-run Goals and Monetary Policy. The change means the Fed is backing off its 2.00% inflation target and would be comfortable with inflation of 2.50% for a limited period. What does the change mean for markets? For risk assets, it should be a net positive as it only adds further confirmation that the Fed will be on easy street of the foreseeable future, according to our Fixed Income Strategies team.

While the Fed would be comfortable with 2.50% inflation, Fixed Income Strategies remains pessimistic the Fed can achieve its target, since it has been unsuccessful in reaching 2.00% over the past 10 years. With respect to yields, we believe the shift will continue to drive modest yield-curve steepening. Further steepening would benefit long-term buy-and-hold investors through increased investing opportunities in the event yields continue to rise.

U.S. Treasury rate forecasts (% as of Aug. 7, 2020)

	2020			2021			
	Q2	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
FF	0.25	0.25	0.25	0.25	0.25	0.25	0.25
2-yr	0.16	0.20	0.25	0.30	0.30	0.35	0.40
5-yr	0.29	0.30	0.40	0.50	0.55	0.65	0.70
10-yr	0.66	0.65	0.75	0.80	0.85	0.95	1.00
30-yr	1.41	1.30	1.35	1.40	1.45	1.50	1.55

Source - RBC Economics

Treasuries vs. municipals (%)

	5-yr TSY	5-yr Muni	10-yr TSY	10-yr AAA Muni	30-yr TSY	30-yr AAA Muni
Beginning of month (8/1/20)	0.21	0.23	0.53	0.65	1.19	1.37
Mid-month (8/15/20)	0.30	0.23	0.71	0.66	1.45	1.36
End of month (8/31/20)	0.27	0.26	0.71	0.81	1.48	1.56

Source - Bloomberg (Treasuries), Thomson Reuters TM3 (Municipals)

Wealth Management

Despite outperforming both the corporate and Treasury bond markets in August, municipals are lagging both corporate and Treasury debt markets year to date.

Market investment strategy & market commentary

After July's strong performance, it seemed the municipal market rally was well positioned to continue through August. In fact, municipal 5-year, 10-year, and 30-year benchmark yields hit record lows on Aug. 7 when they closed at 0.16%, 0.58%, and 1.27%, respectively. Then the rally lost steam, leading investors to question whether the market was overvalued and leaving many of them on the sidelines. A robust issuance calendar in August ($41 billion) coupled with investor apprehension over the low-yield environment pushed municipal yields higher through the remainder of the month with 5-year, 10-year, and 30-year yields rising 0.16%, 0.23%, and 0.29%, respectively.

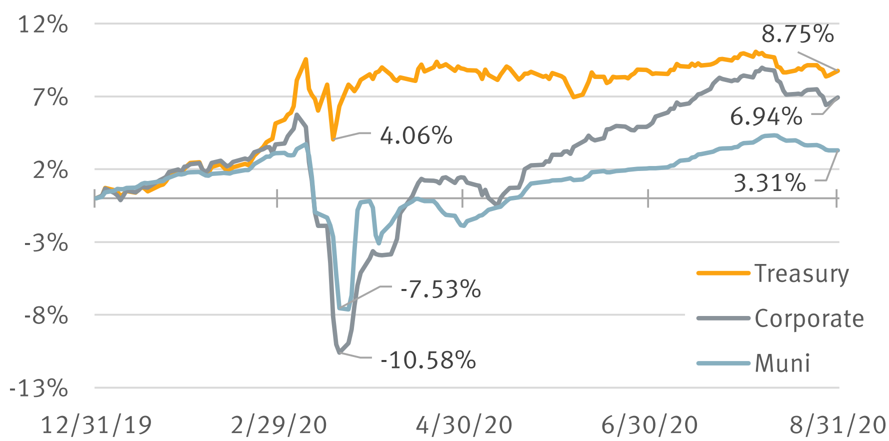
Low-yield environment entices issuers

A $138 billion surge in issuance in June, July, and August pushed year-to-date issuance to $294 billion, ahead of RBC Capital Markets' January projections of $271 billion through Aug. 31. Amid the current low-rate environment and the recent surge in issuance, we expect issuance could top $450 billion, which would be well ahead of our $420 billion projection at the beginning of the year.

Municipal returns turn negative in August

August proved to be a difficult month for fixed income markets. Municipals were not immune to the month's challenging environment, but were able to outpace both the corporate bond and Treasury bond markets according to Bloomberg data. The Municipal Bond Index returned -0.47% in August, while the Corporate Index returned -1.38% and Treasury Index returned -1.10%. Despite outperforming both the corporate and Treasury bond markets in August, municipals are lagging both corporate and Treasury debt markets year to date. Municipals are returning a respectable 3.31% year to date compared with corporate debt, which is returning 6.94%, and Treasury debt, which is returning a solid 8.75%.

Bloomberg Barclays indexes

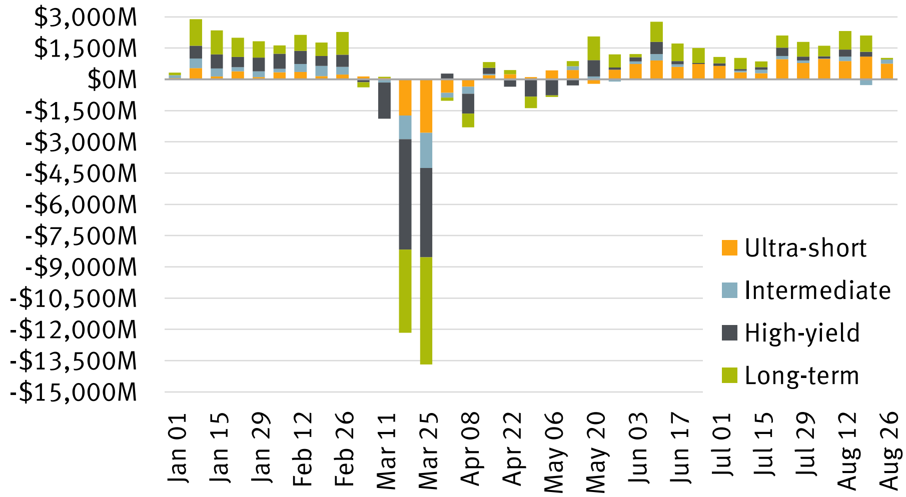


Source - Bloomberg, RBC Wealth Management; weekly data though 8/31/20

Strong demand from institutional investors likely helped blunt the impact of negative municipal returns in August. Cash-rich investors began adding money to municipal mutual funds May 13 and that trend continued through Aug. 26. Over that sixteen-week period, investors added $24.3 billion to municipal mutual funds, which helped push municipal yields into record territory before August's selloff.

A challenging September yield environment should encourage investors to sharpen their focus on where they can best put their cash to work.

2020 muni fund flows



Source - Refinitiv Lipper U.S. Fund Flows, RBC Wealth Management; weekly data though 8/26/20

What lies ahead?

September is shaping up to be another challenging month for municipals. Investors are set to receive approximately $19 billion in maturity and interest payments while, based on recent trends, issuance could potentially top $40 billion, leaving a $21 billion supply imbalance. In this scenario, investors could see yields rise further in September and should therefore consider keeping their "dry powder" dryer a little longer so as to be able to pick up additional yield as the month progresses, in our view. We believe the first two weeks of the month should lay the groundwork for the municipal market's overall September performance. In addition, a challenging September yield environment should encourage investors to sharpen their focus on where they can best put their cash to work. The impact of COVID-19 is beginning to pressure the ratings of many municipal issuers, and we expect this trend to continue through the remainder of the month. With Congressional leaders and the Trump administration at a stalemate on a new round of stimulus to help state and local governments, it is likely that rating agencies will begin revising—and potentially lowering—their ratings and outlooks for municipal issuers. Standard & Poor's recent focus on the airport sector has led the rating agency to either downgrade or revise airport revenue bonds across the country. We believe this is the beginning of a deeper dive into the municipal market and the impact COVID-19 is having on the overall market. So, we warn investors: Caveat Emptor—let the buyer beware.

This month's focus: Municipal premium bonds

On the surface, buying premium bonds can be a difficult psychological hurdle for investors, especially with yields at current lows leading to high premium dollar prices. But investors can often find advantages in buying premium bonds with higher coupons when rates are low, as they can outperform smaller coupons when interest rates rise.

Opportunity for more yield to maturity

Paying premiums to lock in higher coupons can generate greater yield if the bonds remain outstanding to maturity.

For example, both of the California General Obligation (GO) bonds in the table below have the same maturity and call date; however, the bonds have different coupons, which in turn generate different yields. The 4% coupon bond has a higher premium dollar price than the 3% coupon bond. As a result, the 4% coupon bond generates a 1.85% yield to call (YTC) versus the 3% coupon at a 2.10% YTC. However, if the 4% bond remains outstanding to maturity, the investor realizes an additional 41 basis points of yield to maturity (YTM) for the 4% bond at 3.03%, versus the 3% bond with a 2.62% YTM.

Naturally, if both bonds are retired on the earliest call date, the investor would benefit more by owning the 3% coupon with 25 basis points of additional YTC at 2.10%.

Yield comparison of GO bonds with different coupons

	Price	Coupon	YTC	YTM
CA State GO 2050–2030c	$118.87	**4%**	1.85%	3.03%
CA State GO 2050–2030c	$107.80	**3%**	2.10%	2.62%

Source - Bloomberg

Coupon's impact on performance and cash flow

In a nutshell, we believe investors should buy the coupon based on future interest rate expectations. If the investor believes interest rates will move higher, a 4% coupon bond will show less price depreciation than a 3% bond.

Buying higher-coupon premium bonds does require the investor to pay more principal up front. However, paying a premium for the higher interest rate generates larger cash flows, resulting in opportunities to reinvest more cash at higher yields if interest rates move higher. If interest rates increase, wouldn't you rather clip 4% coupons than 3% coupons for more cash to reinvest?

If interest rates rise, premium bonds will often hold their value better than discount bonds.

If a bond is offered at a premium dollar price, this simply means the coupon is higher than the current interest rate market. Therefore, if interest rates rise, premium bonds will often hold their value better than discount bonds. This is because the higher-coupon bond has lower duration, a measure of price sensitivity to interest rate movements. As a result, higher-coupon bonds show defensive characteristics in a rising-rate environment.

Cushion-kicker bond characteristics

Another variation of premium bonds are cushion-kicker bonds, which are longer-term bonds selling at a premium dollar price with shorter-call features.

To illustrate, we compare a California GO cushion-kicker bond with a 2026 call date and 2046 final maturity to two benchmark par bonds with final maturities that mirror the cushion-kicker's call date and maturity date, respectively. Ostensibly, the California bond appears to be the best option because its YTC beats the 2026 par bond (1.25% vs. 0.52%) and its YTM also beats the 2046 par bond (3.69% vs. 1.60%).

Yield comparison of cushion-kicker bond with benchmarks

	Price	Coupon	YTC	YTM
CA State GO	$121.91	5.00%	1.25%	3.69%
2026 Muni Benchmark	$100.00	0.52%	–	0.52%
2046 Muni Benchmark	$100.00	1.60%	–	1.60%

Source - Bloomberg

However, as with everything in life, there is a trade-off. In this case, the California bond investor is exposed to call risk, resulting in cash flow uncertainty. If the California bond were redeemed at the first call date, the investor would be potentially exposed to greater reinvestment risk. In general, cushion-kicker bonds are most appropriate if the investor believes future interest rates will rise, thereby increasing the likelihood that the bond will remain outstanding to maturity.

Chicago is facing an outsized pension challenge that could, at worst, crowd out other essential needs and financial obligations.

Conclusion

Premium bonds are an important aspect of fixed income investing, and they can play a useful role in an investment portfolio. Premium bonds can provide greater price defensibility in a rising-rate environment, higher cash flows, and opportunities to generate more yield if the bonds remain outstanding beyond the first call date. The Fixed Income Strategies team believes interest rates will remain low until at least 2022, driven by the Fed's dovish position as it pursues a targeted 5% unemployment rate. If investors have a contrary view, or would simply like to generate greater cash flow, premium bonds may be an attractive option. For more information or questions on premium bonds, please reach out to the Fixed Income Strategies team or your RBC Wealth Management financial advisor.

Secondary focus: The City of Chicago

Chicago has many economic advantages, including a sizable educated population and a deep, diverse economic base. Yet despite all its advantages, the city is facing an outsized pension challenge that could, at worst, crowd out other essential needs and financial obligations. The administrations of former Mayor Rahm Emanuel and current Mayor Lori Lightfoot have taken noteworthy steps to improve the city's annual pension contributions and fiscal balance overall, but annual pension contribution is expected to increase another $510 million annually by 2022 to $2.25 billion.

Pandemic complicates matters

The sharp economic decline and expected revenue deterioration due to the pandemic will make the city's path to structural balance even more challenging. Mayor Lightfoot is projecting a $800 million deficit this fiscal year due to the pandemic. On a positive note, the city does generate revenues from many sources, although some are economically sensitive, and has budgetary flexibility with a 28% available fund balance as a percentage of expenditures as of FY2018.

Chicago politicians are exploring various ways to address the city's pension contribution spike. They initially balked at more taxes after raising various taxes to address the initial pension funding increase that occurred in recent years. However, the city is now considering a real estate transfer tax and a tax on expanded casino gambling, and furthermore may increase other taxes to address the pandemic-induced revenue shortfalls.

State challenges trickle down to locals

The state's revenue shortfalls due to the pandemic likely will pose additional challenges for Chicago, since it is unlikely that the city will be able to rely on the state for any additional support. In fact, the state is more likely to reduce revenue-sharing payments to local governments than to increase them, in our opinion.

Challenges remain

Chicago is facing other challenges as well. Roughly 40% of Chicago's operating budget goes to pay its combined debt and unfunded pension liabilities, and this would rise to a disquieting 56% if the city paid its full actuarial pension contribution. Thankfully, the city is partially confronting the pension liability with sources of funds (a utility tax and 911 surcharge, and possibly casino and real estate taxes) outside its operating budget, which lessens the burden on the operating accounts.

A strong economy is key

Chicago, unlike economically shallow cities, has the economic backbone to shoulder additional taxes, and the city's home-rule status allows it to increase a multitude of other taxes in addition to property taxes to achieve structurally balanced operations.

In late August, the New York MTA sold approximately $451 million of shorter-term notes to the Federal Reserve under the Fed's Municipal Liquidity Facility to boost liquidity.

The vitality and strength of its economy should enable Chicago to incrementally increase various taxes to generate revenues to support operations without unduly burdening residents and corporations. The city must proceed with caution, however, because an onerous tax burden coupled with declining service levels could cause citizens and businesses to re-evaluate Chicago's desirability.

Conclusion

Before COVID-19, Chicago was facing the challenge of generating an additional half-billion dollars in revenue by 2022. Now, the city must also contend with the effects of the pandemic, which will likely make the city's objectives more difficult to achieve.

Third focus update: New York Metropolitan Transportation Authority

The country's largest public transportation system is losing $200 million daily due to materially lower ridership and reduced fare box revenue. In late August, the MTA sold approximately $451 million of shorter-term notes to the Federal Reserve under the Fed's Municipal Liquidity Facility (MLF) to boost liquidity. The authority has said it needs $12 billion in federal aid to help offset its projected $16 billion deficit through 2024. Absent additional federal aid, MTA officials would be forced to increase fares, freeze wages, make major service cuts of up to 50%, and halt much-needed capital programs.

Structurally, the MTA funds up its debt service in equal monthly installments prior to paying for operations, which means sufficient funds are being put aside throughout the fiscal year. Also, since the MTA cannot declare bankruptcy, the transit system cannot be pushed into using bankruptcy as a politically expedient remedy to its fiscal challenges.

As of mid-August 2020, subway ridership is down 75% and rail ridership is down at least 76%. The MTA cannot withstand that magnitude of ridership decline without taking steps to offset its losses: either replacing the lost revenue with funds from an outside source (federal/state) or materially cutting expenditures. The MTA is sounding the alarm that draconian service cuts will be necessary if external funding is not received.

Territorial updates

Puerto Rico – Oversight Board seeks property tax overhaul

The Puerto Rico Fiscal Oversight and Management Board said the commonwealth needs to overhaul its property tax system to make the system more equitable and efficient. The Board said the commonwealth needs to eliminate 26 general exemptions and multiple municipal rules that allow for nonpayment of taxes on 58% of the island's properties. Although the island's statutory property tax rate is 10%, the Board said the blanket undervaluation of properties makes the effective rate less than 1%. Furthermore, the Board said that many properties are still valued based on 1957 assessments.

U.S. Virgin Islands – Will test market

The U.S. Virgin Islands, which is experiencing increased financial pressure from the effects of the pandemic, is set to test investor appetite for the first time in 11 years. The territory is looking to take advantage of low interest rates to refinance some of its rum tax bonds. The Virgin Islands will securitize the money it receives from the U.S Treasury for excise taxes on Virgin Islands rum sold in the United States, and expects net present value savings of $255 million over the next three years if the bonds are successfully placed.

Upgrades to public finance credits fell to historic lows in the second quarter as a direct result of the COVID-19 pandemic.

New Jersey Governor Phil Murphy recently won state Supreme Court approval to borrow as much as $9.9 billion to fund revenue shortfalls.

State news

General commentary

Upgrades to public finance credits fell to historic lows in the second quarter as a direct result of the COVID-19 pandemic, according to Standard & Poor's, which noted there were 207 downgrades and nine upgrades in the quarter. The last time the number of downgrades proportionately outpaced upgrades was the third quarter of 2011, according to the rating agency.

State ratings roundup

Tennessee – Affirmed by Fitch

On August 14, Fitch Ratings affirmed the state's AAA rating; the outlook is stable. The rating "reflects the state's very low debt and pension liabilities and a conservative approach to fiscal management."

Other state news

Connecticut – Closes fiscal year with $3.1 billion reserve fund

The state closed FY2020 on June 30 with approximately $3.1 billion in its reserve fund. The state revised its FY2021 tax revenue down $2.2 billion due to the effects of COVID-19, and plans to use around $2.1 billion of the reserve funds to close this year's budget gap. It expects to end FY2021 with a reserve balance of approximately $942.2 million, or 4.7% of general fund spending.

New Jersey – Multiple updates

Gasoline tax rising 22%

Beginning Oct. 1, New Jersey drivers will see their gasoline taxes increase 22% to 50.7 cents per gallon, while diesel taxes will increase 19% to 57.7 cents per gallon. In 2016, the state passed a law requiring the fuel tax rate to be examined every August and raised if projected consumption would be insufficient to generate enough revenue to fund capital projects and debt service from 2017–2024 on the state's Transportation Trust Fund.

Millionaire tax resurrected

Governor Phil Murphy proposed tax increases of more than $1 billion on the state's wealthiest residents, as well as approximately $4 billion of borrowing, to finance his spending plan. The governor plans to make a record pension payment and boost the state's reserves. The governor's budget optimistically counts on $1.25 billion of state spending cuts.

Murphy recently won state Supreme Court approval to borrow as much as $9.9 billion to fund revenue shortfalls. The governor is seeking to reach his spending objectives by a combination of spending cuts, tax increases, and reduced borrowing.

New Jersey–New York Hudson Tunnel Project

The long-awaited, proposed, and much-needed rail tunnel under the Hudson River, which was expected to begin construction in 2021, will have to wait a little longer. Uncertainty around federal funding, delays in environmental sign-offs, and a new $11.6 billion price tag that reflects a $275 million cost increase have pushed the commencement of construction out to 2022. New Jersey, New York, and the Port Authority have pledged $5.5 billion for the tunnel and Amtrak has pledged $1.3 billion; the unknown part of the equation is the amount of federal funding the project will receive.

Fitch Ratings affirmed Philadelphia's A– rating and revised the rating outlook to stable from positive.

Texas – Sales tax collections drop in August

Texas comptroller Glenn Hegar reported the state collected $2.82 billion in sales tax revenue in August, marking a 5.6% decline year over year. The decline in sales tax revenue was attributable to the impact COVID-19 has had on businesses across the state amid a rise in cases during the summer that caused the state to implement tighter restrictions statewide.

Regional updates and other market news

Local issuer rating updates

Philadelphia – Rating affirmed

On August 24, Fitch Ratings affirmed the city's A- rating and revised the rating outlook to stable from positive. Fitch concluded that "The revision to a Stable Outlook from Positive reflects the high level of uncertainty associated with the coronavirus pandemic-related economic downturn and its overall effect on the city's operating performance."

Other municipal-related news

Baltimore Hotel Corp., MD – Draws on reserves

The trustee for the Baltimore Hotel Corp. reported it transferred $4.6 million from the Cash Trap Fund and $1.4 million was transferred from the Subordinate FF&E Reserve Fund to make the full principal and interest payment due Sept. 1. The Debt Service Reserve Fund was not drawn upon and remains fully funded, with a balance of $18,883,250. The corporation previously notified bondholders the hotel has been closed since April 14, 2020. The closure was due to the impact of COVID-19 and subsequent government measures to halt the spread of the virus.

Chicago, IL – Sees rising deficits

The pandemic-related closures of many businesses, social unrest, and delayed reopening have decimated the city's tax coffers. Mayor Lori Lightfoot, already dealing with an $800 million FY2020 budget deficit, recently announced the city is facing an additional $1.2 billion budget deficit in FY2021. The city's financial woes are further exacerbated by rising retirement costs, which will cost the city $1.8 billion to cover its four major pension funds in 2021. The city has thus far identified $550 million in available funding, including money from the CARES Act, to help close the gap.

Chicago Board of Education (CBOE) – Passes FY2021 budget

The CBOE passed an $8.4 billion FY2021 budget that boosts spending 7% from FY2021. The budget increase was needed to address rising pandemic-related costs and reduced revenue. The board is counting on $343 million of federal assistance to offset rising costs and declining revenue. If the CBOE does not receive the additional federal assistance it has budgeted, it will consider using its debt service stabilization fund and other funding options to meet its budget requirements. The budget includes $75 million to cover COVID-19-related costs for remote and hybrid-in-person learning beginning Sept. 8.

Los Angeles International Airport – Market participants skittish on some sectors

A lower-rate environment, skittish investors, and a sector under scrutiny left Goldman Sachs with approximately $130 million of a $1.1 billion bond deal for Los Angeles International Airport the third week of August. The 2.07% offered for the 2048-maturity bonds (0.70% more than benchmark AAA muni bonds) was not enough to entice investors to purchase the entire $1.1 billion. The ongoing pandemic has significantly impacted both the airlines and the airport sector, leaving potential investors questioning the stability of this sector of the municipal market.

The decline in gaming revenue could negatively impact Nevada's budget at a time when governmental expenses associated with COVID-19 continue to rise.

Las Vegas, NV – Revenue declines continue

Las Vegas Strip casino revenue of $330.1 million in July, the first full month of operations following pandemic-related closures, was 39.1% lower year over year (y/y). Statewide casino revenue of $756.8 million was 26% lower y/y since casinos reopened June 4. The decline in gaming revenue, which provides the state with a large share of its revenue, could negatively impact the state's budget at a time when governmental expenses associated with the virus continue to rise.

Otero, NM – Seeking forbearance to reduce payments

Negotiations between the trustee, bondholders, and Otero County officials have led a majority group of bondholders to ask remaining bondholders to allow the county to temporarily reduce debt service payments by 25%. Otero County sold bonds for the construction of a detention facility to house undocumented immigrants awaiting hearings. A decline in detainees and revenue has impacted the county's ability to make debt service payments, and therefore pushed the county to request a temporary haircut in payments.

New York City – Reality check! Mayor faces tough decisions

Mayor Bill de Blasio, facing a $9 billion budget deficit, has some difficult decisions ahead. The fate of 22,000 government workers is in the balance. The mayor stated he may be forced to lay off up to 22,000 city employees as the prospects for federal aid dimmed with Congress at a stalemate. Labor leaders have been lobbying the mayor to postpone layoffs, but de Blasio may have no choice because he is required to balance the city's budget annually.

Oakland–Alameda County Coliseum Authority vs. Golden State Warriors LLC

In 2019, an arbitrator ruled the Golden State Warriors would have to continue servicing debt that financed the renovation of the team's home arena in Oakland, California until 2027, even if the team terminated its agreement to use the facility. The team had allowed the agreement to expire in 2017, when it decided to plan a new arena that is expected to be constructed in San Francisco. The California Court of Appeals ruled the arbitrator's interpretation of the agreement was based in fact and subject to judicial review.

RBC Wealth Management retail trading (8/1/20 – 8/31/20)

Top 10 CUSIPs selling volume to retail customers

CUSIP	Description	Maturity	Coupon	Volume
642714DH9	NEW BRITAIN -REF -A	09/01/2044	3.00	3,016
13063DFS2	CALIFORNIA ST	10/01/2047	5.00	2,521
592647DC2	MET WASHINGTON ARPT	10/01/2036	4.00	2,229
645172KW6	NEW HAVEN MI CMNTY SC	05/01/2044	5.00	2,134
13063CMC1	CALIFORNIA ST	10/01/2044	5.00	2,033
38611TBR7	GRAND PKWY TRANSPRTN	10/01/2048	5.00	1,972
19645UDZ4	CO EDUCTNL-A-BAM	09/01/2039	2.50	1,780
6460667H7	NEW JERSEY ST EDUCTNL	07/01/2048	3.96	1,423
65830RCS6	NORTH CAROLINA	01/01/2042	3.00	1,341
709223XW6	PA TPK-E-CONV CAB	12/01/2038	6.38	1,285

Top 10 CUSIPs buying volume from retail customers

CUSIP	Description	Maturity	Coupon	Volume
186352PX2	CLEVELAND ARPT SYS-A	01/01/2029	5.00	3,191
645172KW6	NEW HAVEN MI CMNTY SC	05/01/2044	5.00	2,220
709224V71	PA TURNPIKE COMM	12/01/2043	3.58	2,060
13063CMC1	CALIFORNIA ST	10/01/2044	5.00	2,006
38611TAC1	GRAND PARKWAY-B	10/01/2051	5.25	1,974
544495XV1	LOS ANGELES WTR/PWR-B	07/01/2043	5.00	1,326
709223XW6	PA TPK-E-CONV CAB	12/01/2038	6.38	1,290
53945CAX8	LOS ANGELES WSTWTR-A	06/01/2043	5.00	1,117
544495L36	LOS ANGELES WTR & PWR	07/01/2044	5.00	1,109
882723TC3	TEXAS ST-A-REF-TRNSPR	10/01/2044	5.00	1,043

Source - RBC Wealth Management

RBC Capital Markets institutional trading (8/1/20 – 8/31/20)

Top 10 CUSIPs selling volume to institutional customers

CUSIP	Description	Maturity	Coupon	Volume
56035DCR1	MAIN STREET NAT GAS-C	03/01/2050	4.00	46,673
6461364D0	NJ TRANSPRTN TRUST-A	12/15/2032	5.00	27,004
88256CAX7	TX GAS ACQ VAR-SUB-C	12/15/2026	1.66	21,018
837152VD6	SC TRANSPRTN-2003B	10/01/2031	0.55	19,743
60412ARA3	MN ST-A	08/01/2034	5.00	19,312
61334PBT9	MONTGOMERY CO -SER-A	08/01/2022	4.00	17,212
64577B5C4	NEW JERSEY ST ECON DE	06/15/2036	5.00	17,162
795604BU0	SALT LAKE CITY UTILS	02/01/2050	5.00	15,074
123550GY5	BUTLER CO HOSP-X-REF	05/15/2032	5.00	13,994
123550GX7	BUTLER CO HOSP-X-REF	05/15/2031	5.00	13,786

Top 10 CUSIPs buying volume from institutional customers

CUSIP	Description	Maturity	Coupon	Volume
56035DCR1	MAIN STREET NAT GAS-C	03/01/2050	4.00	46,610
837152VD6	SC TRANSPRTN-2003B	10/01/2031	0.55	19,723
73208PBS9	POMONA-BJ-TXBL-REV	08/01/2040	3.72	19,595
60412ARA3	MN ST-A	08/01/2034	5.00	19,305
382604X92	GOOSE CREEK CONSOL SD	02/15/2050	4.00	17,354
61334PBT9	MONTGOMERY CO -SER-A	08/01/2022	4.00	17,209
795604BU0	SALT LAKE CITY UTILS	02/01/2050	5.00	15,063
574193QF8	MARYLAND-A	03/15/2031	5.00	13,041
544646ZR6	LOS ANGELES USD	07/01/2034	6.76	12,636
882854J60	TX WTR DEV BRD-A	10/15/2043	5.00	12,608

Source - RBC Capital Markets

Bond Buyer indexes

Weekly	Current 8/27/20	Previous 8/20/20	2020 high	Date	2020 low	Date
Bond Buyer Revenue Bond Index	2.62%	2.57%	3.34%	(4/02)	2.44%	(8/06)
Bond Buyer 20-Bond Index	2.20%	2.15%	2.84%	(4/02)	2.02%	(8/06)
Bond Buyer 11-Bond Index	1.73%	1.68%	2.37%	(4/02)	1.55%	(8/06)

Source - The Bond Buyer

Barclays Municipal Index returns

	Index								
	1-month	5-year (4–6)	10-year (8–12)	15-year (12–17)	Long bond (22+)	AAA	AA	A	BAA
Month-to-date total return	-0.47%	-0.04%	-0.54%	-0.74%	-0.78%	-0.63%	-0.54%	-0.35%	-0.04%
Year-to-date total return	3.31%	3.33%	3.73%	3.70%	3.28%	4.20%	3.66%	2.83%	1.14%

Source - Barclays; data through 8/31/20

Municipal bond insurers

Insurer	Moody's	Kroll Ratings
ACA	Not rated	Not rated
AMBAC	Not rated	Not rated
Assured Guaranty (AGC)	A3 (stable outlook)	AA (stable outlook)
Assured Guaranty Municipal Corp. (AGM)	A2 (stable outlook)	AA+ (stable outlook)
Berkshire Hathaway (BHAC)	Aa1 (stable outlook)	Not rated
Build America Mutual (BAM)	Not rated	Not rated
FGIC	Not rated	Not rated
Municipal Assurance Corporation	Not rated	AA+ (stable outlook)
National Public Finance (MBIA)	Baa2 (stable outlook)	Not rated
Syncora	Not rated	Not rated

Source - RBC Wealth Management; data through 8/31/20

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